

# Personal tax checklist

- 2020/21 Information needed for your tax return
- 2021/22 Key things to think about before 5 April 2022
- Key tax dates for your diary



# COVID-19

While last year gave rise to many challenges, we remain committed to ensuring the health and wellbeing of our staff and clients, as well as providing a best quality and timely service to our clients.

In line with Government advice, we are currently primarily working from home and expect this to continue until 21 June at the earliest.

## How you can help?

We have adapted our working practices to ensure we can still provide the same level of service while working remotely, but we are now receiving significantly more client information late in the compliance cycle. The demands placed on our staff in January contribute to unreasonable levels of pressure, stress and fatigue. They also result in increased costs as compliance work cannot always be carried out at the appropriate staff grade.

Our standard terms and conditions, which all clients sign and agree, state that unless tax return information is

provided by 30 September each year to allow us sufficient time to ensure all tax returns are completed, then we cannot guarantee that the submission filing deadline will be met.

For the welfare of our staff, we ask for greater cooperation from our clients in providing the required information earlier in the year. Filing your return as early as possible during the tax cycle also helps you plan for your tax liabilities and helps us to identify opportunities and risks. Please be advised that where tax return information is received after 31 October we reserve the right, from the 2020/21 tax cycle onwards, to charge additional fees, of up to 25%.

We appreciate that all information relating to your tax return may not be available by this deadline if some is dependent on third parties and therefore the position will be considered on a client by client basis. However, we would appreciate your support by you providing as much tax return related information as early as possible after 5 April 2021.

Thank you for your ongoing support.

# Looking back: 2020/21

## Information we need for your 2020/21 tax return

### 1. Personal circumstances

It is useful to be aware of any changes to your personal circumstances before they occur so that the financial and tax implications can be discussed. If this is not possible, notify us of any changes in your tax return details, including:

- contact details
- status – co-habiting, married, separated, divorced, civil partner
- the birth or adoption of any children (including names and dates of birth).

### 2. Child benefit

Let us know of any amounts received by you or another parent/carer in the tax year in respect of a child you look after, including the start and end dates of a claim. We will also need the names and dates of birth of any children for whom child benefit has been claimed.

If you are entitled to child benefit, but receiving it would lead to a full tax clawback arising on you or your partner, we would usually advise that you (or your partner) claim and then elect not to receive the child benefit. Claiming can be important for National Insurance Contributions credits. The tax charged only relates to the actual amounts received, not the entitlement.

### 3. Marriage allowance

If your husband/wife/civil partner qualifies for marriage allowance, please let us know if you have agreed for £1,260 of the personal allowance of your husband/wife/civil partner to be transferred to you for the 2020/21 tax year. Please note that if you are employed HMRC will give you the extra allowance by changing your tax code for the tax year. If you are self-employed HMRC will give you the extra allowance when you submit your tax return.

### 4. Tax repayments

HMRC now prefers to pay any tax repayments directly into a UK bank account where possible. If this is your preference too, we will require the details of the account into which you would like any repayment to be made, including:

- account holder name
- bank or building society
- sort code
- account number.

However, if you used a debit card to make your original tax payment, HMRC would automatically try to repay using the relevant debit card first.

### 5. Notices of coding

HMRC no longer send agents a copy of your PAYE coding notices. Please forward any notices you may receive to us.

### 6. Outgoings

Have you made any of the following payments in the tax year?

- charitable donation under the gift aid scheme
- contributions to any pension scheme (as either an employee or self-employed)
- seed enterprise investment scheme (SEIS)
- enterprise investment scheme (EIS)
- venture capital trusts
- loan interest.

We will need certificates or receipt schedules for any payments made. For SEIS and EIS investments, you will receive a form SEIS3 or EIS3, respectively, from the company. This will need to be sent to us before a claim for tax relief may be made on your return.

## 7. Capital Gains Tax

We will require details of:

- acquisitions and disposals of chargeable assets (including sales of chattels and cryptocurrency) during the year or your broker's year-end tax summaries (excluding any Smith & Williamson portfolios)
- repurchases of shares between 6 April and 5 May 2021
- shares that have become negligible in value
- loans that may have become irrecoverable
- lost or destroyed assets (including details of any insurance payments received)
- benefits or distributions received from a non-resident trust
- shares sold, which were acquired under options awarded in connection with an employment exercised under either:
  - an unapproved or enterprise management incentive (EMI) share option; or
  - an approved share option scheme where you have paid income tax
- a sale of your main residence, together with details of the amount of land included in the sale and the dates the property has been occupied, to check whether private residence relief is available.

UK residents disposing of UK residential property at a taxable gain are required to file a return and pay the capital gains tax within 30 days of completion. Similar rules apply for non-UK residents disposing of any UK property, whether at a gain or a loss.

The disposal will also need to be reported on your 2020/21 self-assessment tax return, so please provide details of the sale, together with any capital gains tax paid on account.

## 8. Residence

The Covid-19 pandemic has resulted in individuals being restricted from travelling, both domestically and internationally, as well as various countries imposing travel bans to both outgoing and incoming passengers. It is therefore important to assess your UK tax residence position and specifically your 'day counts'. Please let us know if you have been affected so we can consider your residence position further.

## 9. Offshore reporting funds

Do your investment portfolios include any holdings in offshore reporting funds? If so, please confirm with your investment manager whether or not there is any Excess Reportable Income (ERI) to report that is not already declared in your tax pack and provide us with the details.

## 10. Tax pack disclosure notes

Where investment managers or banks provide us with information to prepare your return we rely on the accuracy of these details. Tax packs often include various disclaimers and notes and as a result there may be inaccuracies in the tax packs you receive. If you have any concerns or would like us to carry out a more detailed tax review of a tax pack, at an additional cost, please let us know.

## 11. Disclosures

Have you entered into any scheme or transaction where a tax advantage is gained and the arrangement is notifiable to HMRC? If so, the promoter of the scheme or transaction will have provided you with a reference number and the tax year details, which need to be shown in the tax return.

## 12. Pre-owned asset tax charge

Have you given away an interest in land, buildings, chattels or settled assets into trust from which you continue to benefit? Or do you receive a benefit on an asset derived from a previous gift? If so, please advise us.

## 13. Life insurance policies

There may be a tax charge to report on your tax return if you make withdrawals from your life insurance policies each year, surrender the policy in whole or in part, the policy matures, or the insured person dies. Should any of these events occur, we will need to see a chargeable event certificate, which your insurance company is required to produce.

## 14. Mis-sold PPI compensation receipts

We will need to know the details of any amounts paid to you in connection with PPI. The compensation receipts may or may not be taxable, but any interest receipts will need to be reported on your tax return.

## 15. Redundancy, payments in lieu of notice and payments under compromise agreements

If your employment ceased, you may be in receipt of additional payments from your employer. We will require full details of the amounts paid and copies of any agreements signed, so that we can determine if the income is subject to tax.

We will also need to be advised of any payments, benefits in kind or assets received from your employer after your employment ended, where they have not been notified on your P45 or on a form P11D (return of benefit in kind) that has been supplied to you. Your employer is not obliged to provide you with a P11D, prepared after you have left, unless you specifically request it.

## 16. Student loan

Please let us know if you have an income contingent student loan and the Student Loan Company (SLC) has notified you that 'repayment' commenced before 6 April 2021 and whether it is a Plan 1 or 2 loan.

## 17. Scottish taxpayer

If you are a Scottish taxpayer the amount of income tax that you pay on your non savings and non dividend income could differ. If this potentially applies to you, for example if you or your family had any place of residence in Scotland during the year, please let us know.

## 18. Self-employment business profits and losses

To calculate your trading profit or loss for the year, please provide details of your self-employment business income, including any grants received under the Self-Employment Income Support Scheme (SEISS), and details of expenditure incurred during the 2020/21 tax year.

At the 2021 Budget, the Government announced an extension to the carry back of trading losses for self-employed businesses. In addition to the usual one-year carry back, trading losses made in the 2020/21 and 2021/22 tax years may, subject to £2m caps, be carried back a further two years against profits of the same trade.

## 19. Miscellaneous and new sources of income

Send us the details of income, outgoings, capital payments, receipts or any other information which you consider to be relevant to your tax affairs

# Looking ahead: 2021/22

## 1. 45% tax and loss of personal allowance

The highest rate of tax remains at 45%, applying to individuals with total income over £150,000. Personal allowances are tapered for individuals with income between £100,000 and £125,140 (2021/22), giving an effective tax rate in this band of 60%.

The following can help reduce taxable income:

- making pension contributions or charitable gift aid payments
- transferring income-generating assets between spouses/civil partners if possible
- using tax-free investments and/or tax efficient investments
- investing in assets which generate capital growth rather than income
- altering the timing of income to maximise use of lower rate bands.

## 2. Tax-free/tax-efficient investments

There are various tax-free and tax-efficient investments available. For independent, fee-based advice on whether any of these investments are suitable for you, we can put you in touch with a contact in our financial services team:

- consider making tax-free investments through ISAs or National Savings
- make use of the annual ISA subscription (2021/22 limit £20,000) and consider Junior ISAs for children under 18 (2021/22 limit £9,000)
- enterprise investment scheme (EIS), seed enterprise investment scheme (SEIS) and venture capital trust (VCT) investments provide tax shelter/deferral incentives.

## 3. Pension contributions annual allowance

Pension contributions are still a tax-efficient way of saving for retirement, with tax relief given at your highest marginal rate of income tax. Tax relief is restricted to the lower of your annual allowance, or your net relevant earnings.

It may also be possible to take advantage of your unused annual allowance from the three previous tax years.

This is a complex area as pensions are subject to a lifetime cap as well as potential restrictions for higher earners. The annual allowance restrictions for higher earners were tightened further from 6 April 2020. You should get specialist advice before making any contributions.

## 4. Savings income

Individuals have a starting rate band of £5,000 for savings income (subject to total income), and £2,000 for dividend income. Savings and dividend income falling within these bands is taxed at 0%.

Separate to the starting rate savings band, a personal savings allowance is available to basic and higher rate taxpayers but not to additional rate taxpayers. The allowance is £1,000 per year for basic rate taxpayers and £500 per year for higher rate taxpayers. Spouses and civil partners should review who holds any taxable savings.

## 5. Charitable donations

Gift aid donations to charity give tax relief at your highest marginal tax rate. Any cash donations made before 31 January of the following tax year, or the date of the submission of your tax return if earlier, can be carried back to the previous tax year. Therefore, cash donations made before both 31 January 2022 and the submission of your 2020/21 tax return can be included on your 2020/21 tax return.

Spouses can decide which of them should make charitable donations in order to maximise income tax relief; we can help you with this calculation.

Individuals can gift quoted shares or an interest in land to a charity. This provides income tax relief on the market value of the asset and the disposal is exempt from capital gains tax.

## 6. Capital Gains Tax

Non-resident individuals and trustees selling UK land (directly or indirectly) are required to file a return and pay any capital gains tax within 30 days of the sale. The requirement to file a return still applies even where no capital gain arises. UK residents disposing of UK residential property at a taxable gain are also required to file a return and pay the capital gains tax within 30 days. Please inform us of any plans to dispose of UK land or property prior to sale so that we can confirm the reporting requirements.

Subject to the availability of any reliefs, capital gains tax is currently charged at either 10% or 20%, depending upon the marginal rate for the year of disposal, for all gains above the annual exemption (£12,300 in 2021/22 for individuals). Rates of 18% and 28% apply on gains arising on the disposal of residential properties (not covered by Private Residence Relief) and carried interest.

Consideration could be given to selling assets at a gain to use your annual exemption. Assets could also be transferred between spouses where appropriate to maximise reliefs available as inter-spouse transfers take place at a nil gain nil loss.

Consideration could also be given to selling any assets which stand at a loss if you have large capital gains and also making a 'negligible value' claim on assets which currently have no value.

Both tax and investment advice should be taken in advance.

## 7. Self-employment business losses

It was announced in Budget 2021 that in addition to the usual one-year carry back, trading losses made in the 2021/22 tax year may be carried back a further two years against profits of the same trade, subject to a £2m cap.

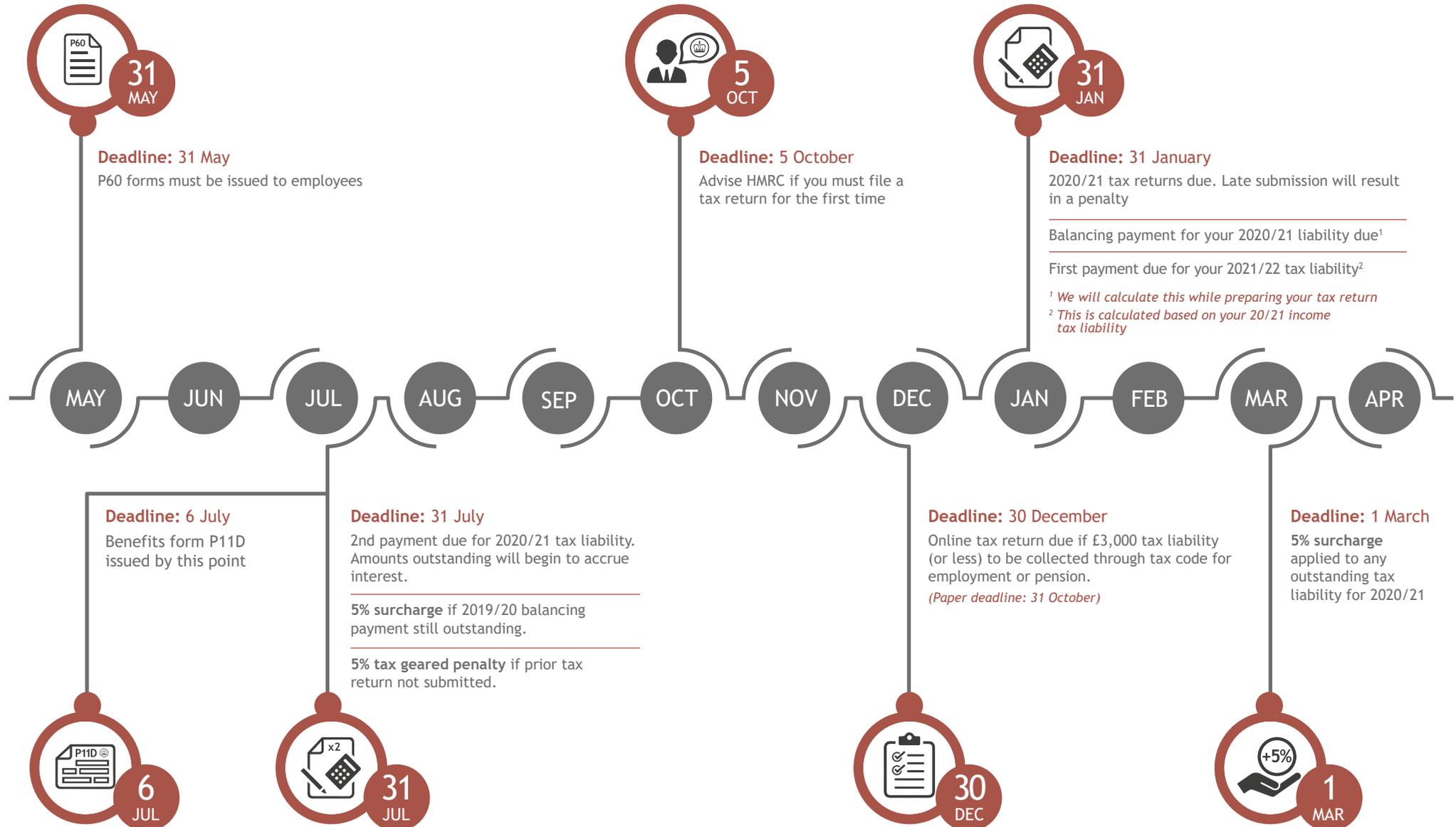
## 8. Trusts

Trustees may want to review whether or not distributions should be made before 5 April 2022.

Trustees may also wish to give consideration to the capital gains tax annual exemption to determine whether any assets should be sold in the tax year.

# Key tax dates for your diary

To help you meet your UK tax obligations, here is a snapshot of some key tax dates and deadlines. Failure to comply with the deadlines below is likely to result in unnecessary penalties, surcharges and interest becoming payable.



# Private client services

## Tax and trusts

As well as offering a full compliance service, we provide specialist advice on succession planning, family business transactions, international taxes and the long-term planning of family finances. Clients include entrepreneurs, business owners and senior executives, as well as landowners and their families.

## Investment management

Our core investment management service is the active management of bespoke discretionary portfolios. We have over 170 qualified investment professionals looking after the needs of global and domestic private clients, families, trustees, charities and smaller institutions.

## Pensions and personal financial planning

Our expertise includes bespoke financial planning, personal financial management and counselling, personal pension provision, inheritance tax advice, tax-efficient investments, insurance and protection issues, and personal financial modelling.

## Fund management

With a growing boutique fund management business, we offer funds for intermediaries and their clients. Our onshore and offshore regulated funds cover equities, fixed interest, bonds and cash.

## International

Our specialists based in London and Jersey provide international solutions for tax, investment management, assurance, settlements and custody to a range of private clients and trustees.

## Trustee and executorship service

We act as trustees for a wide range of family, charitable and corporate trusts, and as executors of deceased persons' estates through Smith & Williamson Trust Corporation Limited, which is a member of the Association of Corporate Trustees. Appointments range from small trusts with a single asset to portfolios for landed estates and family offices.

## Tax investigations

Our specialist team helps individuals and businesses faced with in-depth tax enquiries. Our capabilities include the contractual disclosure facility, offshore compliance, personal and corporate tax investigations and any dispute with HMRC over back taxes, or the production of information and documents.

## Strategic advice

Our heritage in working with families across their personal and business affairs enables us to offer clients a rounded perspective as they address long-term considerations. This includes advice on family governance, setting up family offices and preparing the next generation.

We also offer a range of business services including accounts, business tax, corporate finance and restructuring and recovery.

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Tax legislation is that prevailing at the time, is subject to change without notice and depends on individual circumstances. Clients should always seek appropriate tax advice before making decisions. HMRC Tax Year 2020/21.

HMRC information sourced from: [www.gov.uk/government/organisations/hm-revenue-customs](http://www.gov.uk/government/organisations/hm-revenue-customs)

By necessity, this briefing can only provide a short overview and it is essential to seek professional advice before applying the contents of this article. This briefing does not constitute advice nor a recommendation relating to the acquisition or disposal of investments. No responsibility can be taken for any loss arising from action taken or refrained from on the basis of this publication.

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